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# Report of the World Bank on the International Comparison Programme

## Note by the Secretary-General

In accordance with a request of the Statistical Commission at its forty-first session, the Secretary-General has the honour to transmit the report prepared by the World Bank on behalf of the Executive Board of the International Comparison Programme, describing the status of preparations for the 2011 round of the Programme. The current round has more participating countries than the 2005 round (192 as compared with 146), is largely in a sound position financially and has reached the preparation stage at the global, regional and country levels, on the basis of which its Executive Board has approved the start of the price surveys and the required national accounts activities in January 2011. While all major technical and methodological issues have been resolved, the report also outlines the outstanding issues in respect of participation arrangements for a small number of countries, finalization of data archiving and access policies, and the need for further review of some technical issues related to special surveys planned for the second half of 2011. The major risk identified at this stage of the programme is the reality that quite a few countries may struggle to complete pricing and supplying the detailed national accounts data being sought. The Commission may wish to review the promising progress with preparations for the 2011 round and to express its views on country participation issues as well as on the workplan and the time frame.

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# Report of the World Bank on the International Comparison Programme

## I. Introduction

1. The present progress report provides comprehensive information on all preparatory activities undertaken in 2010 for the current International Comparison Programme (ICP) round, with specific emphasis on activities related to the start of fieldwork in January 2011.

2. At the global level, the ICP Global Office at the World Bank pursued its fund-raising efforts, and coordinated regional activities and methodological development activities through the preparations for the meetings of the regional coordinators and the technical advisory group, as well as the preparation of operational material needed for the implementation of price surveys and the compilation of detailed gross domestic product (GDP) expenditures.

3. At the regional level, the regional coordinators contributed to the finalization of the global core list of household product specifications and developed their own regional list of items. They also took the necessary steps for the creation of regional advisory boards and conducted several technical workshops.

4. Apart from some specific cases, the countries, the regional coordinating agencies and the Global Office are ready to start the surveys in early 2011. The report comprises five main sections related to: governance and financial status; progress in the preparatory activities; status of the regional programmes; readiness for 2011 data collection and workplan; and data requirements and access.

## II. Governance and financial status

### A. International Comparison Programme Executive Board Chairmanship and meetings

5. The Executive Board held two meetings in 2010, on 21 February, in New York, and on 18 October, in Washington, D.C. Its first meeting had been held in 2009. In October 2010, Oystein Olsen, Chief Statistician of Norway, was appointed as Governor of the Central Bank of Norway. As a result he stepped down from his role of ICP Executive Board Chair. The Executive Board members unanimously praised Mr. Olsen for the excellent work he had carried out as Chair and selected Mr. Enrico Giovanni, Chief Statistician of Italy, to succeed him.

### B. International Comparison Programme technical advisory group activities

6. The technical advisory group held three meetings in 2010, following their first meeting in 2009. As Erwin Diewert had stepped down from the chairmanship of the TAG, at its last meeting, in October 2010, the Executive Board appointed Paul McCarthy as the new TAG Chair and renewed Fred Vogel's mandate.

7. The technical advisory group's work programme includes methodological aspects aimed at improving the field operations and desk work to be carried out by countries, regional offices and the Global Office. In accordance with the recommendations made by the various governance bodies following the findings of the Friends of the Chair based on the 2005 round of ICP, the improvements introduced are deemed to increase the accuracy of the purchasing power parities. To increase the relevance of the group's activities, its work programme as adopted in June 2010 comprises three categories of topics: essential and operational; essential but non-operational; and non-essential topics. Activities under the first category are considered to be of high priority as the resulting methodological improvement will feed into the field and desk activities to be carried out in 2010 and 2011. Three of these activities were completed during the group's June meeting, including elements related to owner-occupied housing; the measurement of government outputs; and survey frameworks. Three others are being completed, as was recommended by the group's meeting in October; they relate to construction and civil engineering; machinery and equipment; and education services. The second category of topics concerns methodological development linked to the processes of: (a) linking regional purchasing power parity to global results by using the global core list approach; and (b) back-casting and purchasing power parity revisions. These methods have not yet been finalized. The third category of topics includes research on applications and by-products of the ICP, such as subnational purchasing power parity methods.

## C. Regional coordinators' meetings

8. The ICP regional coordinators and representatives of the Statistical Office of the European Communities (Eurostat)-Organization for Economic Cooperation and Development (OECD) purchasing power parity programme met twice in 2010 to review the proposed implementation tools and methodologies and take stock of the progress made in the preparation for the field activities.

## D. Country participation and related issues

9. The total of 192 countries or economies participating in the current round of the programme includes: 52 from Africa; 23 economies in Asia and the Pacific; 15 Pacific island countries and territories; 9 countries in the Commonwealth of Independent States (CIS) (including the Russian Federation which also participates in the Eurostat-OECD programme); 32 in Latin America and the Caribbean (including Argentina, but excluding Chile and Mexico which will participate in the regional programme as observers); 47 in the Eurostat-OECD programme; and 14 in Western Asia (including Egypt and the Sudan, which also participate in the Africa programme); as well as Georgia, Iran (Islamic Republic of) and Turkmenistan.

10. Special participation issues are worth underlining for some countries, falling under three categories: (a) those not belonging to any of the regional coordinating agencies or whose regional coordination is not yet confirmed (herein referred to as singleton countries); (b) those expected to collect prices mainly in 2012; and (c) those with dual participation.

## 1. Singleton countries: Argentina; Georgia; Iran (Islamic Republic of); Turkmenistan

11. Argentina's participation in the Latin America and the Caribbean region has not yet been confirmed. Georgia, which is no longer a member of CIS, is participating in the programme under special arrangements for which the necessary funding was secured. It will be linked to the global comparison through a bilateral comparison between Georgia and a country within CIS, Armenia.

12. A special arrangement is being sought for the Islamic Republic of Iran, which is not a member of the Asian Development Bank, through a bilateral comparison with Tajikistan or another country, similar to the Georgia-Armenia exercise.

13. The State Committee of Turkmenistan on Statistics expressed their intention to participate in the 2011 round of ICP under the frameworks of either the Eurostat-OECD purchasing power parity programme or the Asia-Pacific regional programme. As their request is unlikely to be accommodated by OECD, Eurostat and the Asian Development Bank, Turkmenistan may consider participating in the CIS programme.

## 2. Countries that will collect prices in 2012: Caribbean and Pacific islands

14. The ICP programme in the Caribbean is being coordinated by the Economic Commission for Latin America and the Caribbean (ECLAC), in collaboration with the Caribbean Community (CARICOM). Given the overlap between ICP surveys and census activities, the Caribbean countries have agreed to undertake ICP price data collection in the two-year period covering 2011-2012. Technical assistance in the areas of price data and national accounts is being provided by ECLAC, CARICOM, the Caribbean Regional Technical Assistance Centre and the Global Office.

15. While Fiji will participate in the Asia and Pacific regional programme, the situation of 21 other Pacific island countries, territories or economies is being evaluated by the Australian Bureau of Statistics in terms of which ones will definitely participate, and the potential capacity-building benefits, as well as the modus operandi that will best befit the economic and geographical situation and capacity of the countries. The likely working assumption is that the countries will commence price collection in early 2012 for a list of products that will be derived from the global core list and a Pacific core list of items.

## 3. Dual participation: Egypt and the Sudan

16. Egypt and the Sudan participate in two regions, under the coordination of the African Development Bank and the Economic and Social Commission for Western Asia, respectively. The two regional coordinating agencies, the Global Office and the countries concerned agreed on coordination and technical mechanisms aimed at avoiding the duplication of price survey and national accounts work.

### E. Financial status and fund-raising activities

17. The global budget for the 2011 round of ICP is estimated at between $14.5 million and $16 million, while the total budget for the programme, including the regional budgets, is expected to amount to between $37 million and $40 million. The funds are sourced mainly from the World Bank regular budget, with the balance being contributed by the trust funds for the 2005 round of ICP, which included a contribution from the Islamic Development Bank, and from the pledges to the multi-donor 2011 ICP trust fund. The World Bank will contribute about 46 per cent of the budget from its regular budget and existing trust funds. Pledges to the multi-donor 2011 ICP trust fund amount to about 54 per cent of the total, and the donors to the trust fund, to date, include the International Monetary Fund (IMF), the Department for International Development of the Government of the United Kingdom of Great Britain and Ireland, and Norway. Other donors, including Australia, were also approached.

18. The contributions from the regional agencies' budgets, grants from the World Bank, trust funds housed and managed by regional agencies and contributions from the participating countries are the main sources of funding for regional programmes. However, the budget gap between the expected cost and the existing sources of funding remains large, and fund-raising efforts are under way at all levels.

## III. Progress in preparatory activities

19. Field and desk activities to be carried out throughout 2011, and in 2012 for some countries, include the main price surveys related to household consumption items, specific surveys related to housing, government and gross fixed capital formation and preliminary work on the disaggregation of GDP expenditures into detailed basic headings. Countries are requested to undertake data collection for household consumption items in 2011.

20. As far as national accounts are concerned, countries were recommended to start the preparations in 2010, as described in the guidelines developed by the Global Office. They will identify the necessary data sources, compile expenditure data for GDP and its main aggregates, and draft a comprehensive metadata report on this process, where problems will be highlighted along with appropriate solutions.

21. In view of the above, the following operational material was developed: the global core list; survey framework guidelines and forms; operational material for specific surveys; guidelines for the disaggregation of GDP expenditures; and software tools.

### A. The global core list

22. The global core list of 601 items to be priced for the main survey on household consumption was developed through a participatory and iterative process, making it a truly global list in that it reflects comments and proposals provided by the regional and national coordinators from all the regions as well as from OECD and Eurostat. The list was also endorsed by the technical advisory group in Paris.

23. The recommendation for the countries in pricing the global core list is to price only items that are relatively easily available and deemed important. In this way, although the entire global core list contains 601 items, the extra load per country is expected to be as low as 100-300 items. More importantly, when the list and the regional items are properly amalgamated, this strengthens the intraregional links. Regional purchasing power parities based on both the global core list and regional lists will be used in computing global purchasing power parity, and regional fixity will be imposed on the globally computed purchasing power parity.

24. The global core list is available in four languages (Arabic, English, French and Spanish), in both Excel and Word formats. To help the countries identify the various products, three bilingual catalogues (English-Arabic; English-French; English-Spanish) are available, in which each item is illustrated with a colour picture.

## B. Survey framework and forms

25. The survey framework guidelines were developed and approved by the technical advisory group. They include specific instructions on the use of structural product descriptions, the classification of products by importance, the number of products to be priced, the number of price observations and the sampling and classification of outlets. Survey forms to be used for price data collection were prepared accordingly. Forms and guidelines were also prepared for conducting housing rental surveys, collecting volume indicators related to dwellings, and compiling the data on the compensation of employees.

## C. Guidelines for disaggregating gross domestic product expenditure data

26. For the 2011 round of ICP, a much larger role is envisaged for national accounts experts in participating countries than was the case in the 2005 round. A 14-step set of guidelines was developed, and five reporting forms are recommended that will support the relevant activities. Countries are expected to provide GDP estimates and detailed expenditures at basic-heading level for the latest available year (between 2006 and 2009) as well as for the reference year 2011. They will also furnish the relevant metadata, including in terms of sources of data, adjustments made and underlying assumptions. This will include a review of the price formation for some major goods and services and commodity flows for selected categories of goods and services.

## D. International Comparison Programme kit

27. Building on lessons learned from the 2005 round of ICP, the Global Office is developing the ICP software for 2011 (also known as ICP kit) as a comprehensive set of physically independent but logically integrated software modules to coordinate data collection and data processing during the 2011 round. The list of modules comprises: country modules for household consumption, the compensation of Government employees and national accounts, as well as a regional module.

28. These first four modules, available in Arabic, English, French and Spanish, are ready for dissemination. The regional module will handle set-up, inter-country

validation including diagnostics and index processing for all price survey data. The country modules for household consumption items and the compensation of Government employees will cover set-up, implementation, price averaging and the intracountry validation of prices. The national accounts module will both help process the disaggregation of GDP expenditures and validate them across the countries. These modules will be ready for use before ICP operations start in early 2011.

## IV. Status of the regional programmes

29. Each regional coordinating agency organized several technical workshops or governance meetings in 2010.

### A. Africa

30. Three regional workshops were organized in 2010 to review the methodologies, finalize the regional list, undertake the initial activities related to GDP breakdown, prepare for other price data collection-related activities and learn the functionalities of the ICP software. A meeting of the heads of national statistics offices was held, as was another for the regional advisory board.

### B. Asia and the Pacific

31. Two meetings of the regional advisory board and three regional workshops were organized, since February 2010, to formalize the implementation of the regional programme, finalize the regional work programme, agree on the institutional arrangements, the data requirements and the proposed methods, develop the product list and the survey frame and review and evaluate the preliminary supply and use tables.

### C. Commonwealth of Independent States

32. A meeting of the Council of the Heads of Statistical Services of CIS was held in Minsk, on 23 August 2010, to discuss progress in the implementation of the regional programme. It was followed by a technical seminar, held on 23 and 24 August, to discuss methodological and organizational aspects, with a specific emphasis on price collection and purchasing power parity computation. Two other workshops, held in Moscow, in November 2010, focused on the product list and the compilation and disaggregation of GDP.

### D. Latin America and the Caribbean

33. As part of a statistical capacity-building project for Latin and Central America, three workshops were organized in 2010 with the main objectives of building the regional list of products, reviewing the price survey methods and discussing national accounts requirements for the ICP. A high-level meeting was also organized in Barbados to launch the 2011 round in the Caribbean region.

### E. Western Asia

34. Following the launch of the programme at a high-level meeting organized in Beirut, in July 2010, two technical workshops were attended by country representatives who reviewed the methodological developments of the new round, the arrangements at the national level, the survey framework, the national accounts requirements and the list of products. A training on the ICP software was also organized.

### F. Eurostat-Organization for Economic Cooperation and Development

35. Price collection for the ICP global core list of products for household goods and services started even before the finalization of the list. This includes the survey on house and garden products conducted in the second quarter of 2010 and another 2010 survey on transportation, restaurants and hotels. Other surveys are running their normal course. Eurostat published the revised 2007, 2008 and 2009 purchasing power parities in December 2010, following the regular production calendar, as did OECD, for the 2008 benchmark.

## V. Readiness for 2011 data collection and workplan

### A. Readiness for 2011 activities

36. At its third meeting, held on 18 October 2010, the Executive Board agreed to start the 2011 round of ICP activities in the countries in January 2011. The decision was based on the information provided by the Global Office and regional coordinating agencies on the readiness for the 2011 round.

37. The regional reports covered the following areas: (a) coordination, country participation and funding aspects; (b) a summary of the main regional activities, including the meetings on the launch/inception of the regional programmes and an indication of programmed activities for 2010-2011; (c) the status of the development of the consolidated regional product list and a description of the underlying participatory approach; (d) the status of preparations for national accounts work related to GDP breakdown; (e) the preparation and/or customization of operational materials needed by the countries; and (f) a conclusive review of country readiness for 2011. Africa and Asia also reported on their interim ICP activities of updating 2005 purchasing power parities to 2009, thus providing additional evidence of their preparedness for 2011.

### B. Capacity-building activities and assistance to the regions

38. To support the effective work of the regional coordinating agencies, the Global Office helped facilitate several regional workshops and provided assistance in: (a) building the regional lists of items; (b) incorporating the global core list into the regional lists; (c) developing the matrix of availability and importance; (d) national accounts preparatory activities; and (e) translation of operational materials into regional languages. The Global Office also financed exploratory missions to

Caribbean countries to examine the preparedness of those countries for conducting ICP activities.

### C. Outreach activities

39. To promote the use of ICP data and methodologies, the Global Office upgraded the ICP website. The new website better reflects the structure and organizational chart of the 2011 round of ICP and includes all the working documents of ICP meetings, as well as the operational material needed to implement the 2011 round. A new ICP brochure was also created and translated into various languages. More importantly, the Global Office hosted an ICP Users' Conference on 19 October 2010, in Washington, D.C., which brought together the ICP data users and producers to discuss new or underutilized applications of ICP data and methodologies.

### D. Overall time frame

40. The time frame for the 2011 round of the International Comparison Programme covers the period from 2009 to 2013 and is comprised of four main stages. The first stage includes administrative and institutional arrangements. While fund-raising and advocacy efforts will run across the programme's lifespan, the other activities in the first stage were completed around March 2010. The second stage, which started in April 2009 and was completed in December 2010, relates to methodological preparations for the activities to be undertaken in the 2011 components of the programme. The third stage entails undertaking national accounts activities (from the end of the second quarter of 2010 to the end of the third quarter of 2013) and conducting price surveys. The main price survey on household goods and services will be conducted in all countries throughout 2011, except for the Caribbean and Pacific islands, which will collect prices in 2012. Other price surveys (education, health, compensation of Government employees, equipment and construction) will be carried out concomitantly with the compilation of relevant expenditures data, from early 2011 to end of 2012.

41. The fourth stage includes the preparation of preliminary and final reports by regional coordinating offices and the Global Office. It is expected that the final global results will be obtained in December 2013, with the electronic and physical reports being released a few months later.

## VI. Data requirements and access

### A. Data and metadata requirements

42. The workplan is designed with the objective of ensuring that all regional coordinating agencies will provide the required average price data, the GDP expenditures and all related metadata in a timely fashion.

43. According to the quality requirements approved by the Executive Board, with regard to data submission under the 2011 memorandum of understanding, the regional coordinators are periodically required, during the data-collection period, to submit to the Global Office preliminary national average prices for the regional

items, including the global core items, related statistics, detailed GDP expenditure breakdowns and information describing the national price survey frameworks, validation and averaging processes, as well as national accounts methodology and metadata for comparisons across regions to ensure consistent and comparable methods are being used for the compilation and validation of national accounts statistics related to ICP, as well as for price data collection, validation and analysis. Similarly, the regional coordinators are required to submit final national annual average prices for the regional items, including the global core items, and national accounts data related to ICP, as well as relevant methodological, metadata and consistency reports to the Global Office, within the agreed timetable.

44. In addition to the above, regional coordinators must provide a set of validation indicators required for assessing data quality. This includes: (a) Quaranta and Dikhanov tables for annual average prices; (b) validation tables for national accounts expenditure data; (c) validation tables on the aggregation process; and (d) metadata on price surveys, including survey frame, periodicity and coverage.

45. It is worth underlining that, as far as other GDP components are concerned, all the ICP regions will use the same lists of items for government services, health, education, machinery and equipment, as well as construction and civil engineering. All relevant detailed prices will be submitted by the countries, through their respective regional coordinating agencies, for validation and processing by the Global Office. In principle, these are the only prices used to compute regional and global purchasing power parities. This ensures consistency between the regional and global levels of purchasing power parity computation.

### B. Data access policy

46. Given the proposed new direction of the 2011 round, in terms of responding to users' needs by providing wider access to detailed data and increasing the focus on metadata, and given the new innovations of the round which will result in valuable price and national accounts information, there needs to be agreement on data access and archiving, in order to guide practice in these areas.

47. Following the Executive Board recommendation on this issue, the Global Office consulted with regional coordinators, countries, a number of international experts and users to seek their views on access to ICP data. In light of the responses received, a draft policy was prepared and submitted to the Executive Board in October 2010. The Executive Board agreed with the new direction of openness but requested some aspects of the policy to be revised for further review by the Executive Board.

## VII. Points for discussion

48. **The Commission is requested to review and comment on:**

(a) **The progress of preparations for the field and desk activities;**

(b) **Special issues related to country participation.**

49. **The Commission is also requested to provide further guidance on the overall time frame.**